

## CABINET

<b>Date of Meeting</b>	Tuesday 19 <sup>th</sup> July, 2016
<b>Report Subject</b>	Revenue Budget Monitoring 2015/16 (Outturn)
<b>Cabinet Member</b>	Leader of the Council and Cabinet Member for Finance
<b>Report Author</b>	Corporate Finance Manager
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

This report provides the outturn revenue budget monitoring position for 2015/16 for the Council Fund and Housing Revenue Account (subject to audit).

The final year end position is as follows:

#### **Council Fund**

- Net in year expenditure was £1.489m lower than budget
- A contingency reserve balance at 31 March 2016 of £4.375m

#### **Housing Revenue Account (HRA)**

- Net in year expenditure was £0.059m higher than budget
- A closing balance as at 31 March 2016 of £1.178m

### RECOMMENDATIONS

1	Note the overall report and the Council Fund contingency sum as at 31 <sup>st</sup> March 2016.
2	Note the final level of balances on the Housing Revenue Account.

## REPORT DETAILS

<b>1.00</b>	<b>THE REVENUE BUDGET MONITORING POSITION FOR OUTTURN - 2015/16</b>																																																																											
1.01	<p><b><u>Council Fund Latest In Year Forecast</u></b></p> <p>The table below shows the final position by portfolio.</p> <table border="1"> <thead> <tr> <th><b>TOTAL EXPENDITURE AND INCOME</b></th> <th><b>Original Budget</b></th> <th><b>Revised Budget</b></th> <th><b>Projected Outturn</b></th> <th><b>In-Year Over/ (Under) spend</b></th> </tr> <tr> <td></td> <th><b>£m</b></th> <th><b>£m</b></th> <th><b>£m</b></th> <th><b>£m</b></th> </tr> </thead> <tbody> <tr> <td>Social Services</td> <td>59.696</td> <td>59.146</td> <td>59.194</td> <td>0.048</td> </tr> <tr> <td>Community &amp; Enterprise</td> <td>12.598</td> <td>12.923</td> <td>11.822</td> <td>(1.101)</td> </tr> <tr> <td>Streetscene &amp; Transportation</td> <td>27.782</td> <td>28.461</td> <td>29.360</td> <td>0.899</td> </tr> <tr> <td>Planning &amp; Environment</td> <td>4.887</td> <td>5.427</td> <td>5.512</td> <td>0.085</td> </tr> <tr> <td>Education &amp; Youth</td> <td>13.760</td> <td>12.145</td> <td>12.205</td> <td>0.060</td> </tr> <tr> <td>Schools</td> <td>82.670</td> <td>84.969</td> <td>84.969</td> <td>0.000</td> </tr> <tr> <td>People &amp; Resources</td> <td>4.595</td> <td>4.624</td> <td>4.496</td> <td>(0.128)</td> </tr> <tr> <td>Governance</td> <td>8.689</td> <td>8.712</td> <td>8.784</td> <td>0.072</td> </tr> <tr> <td>Organisational Change</td> <td>9.569</td> <td>8.854</td> <td>8.661</td> <td>(0.193)</td> </tr> <tr> <td>Chief Executive</td> <td>3.296</td> <td>3.087</td> <td>2.965</td> <td>(0.122)</td> </tr> <tr> <td>Central &amp; Corporate Finance</td> <td>23.915</td> <td>23.109</td> <td>22.000</td> <td>(1.109)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Total</b></td> <td><b>251.457</b></td> <td><b>251.457</b></td> <td><b>249.968</b></td> <td><b>(1.489)</b></td> </tr> </tbody> </table>	<b>TOTAL EXPENDITURE AND INCOME</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Projected Outturn</b>	<b>In-Year Over/ (Under) spend</b>		<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	Social Services	59.696	59.146	59.194	0.048	Community & Enterprise	12.598	12.923	11.822	(1.101)	Streetscene & Transportation	27.782	28.461	29.360	0.899	Planning & Environment	4.887	5.427	5.512	0.085	Education & Youth	13.760	12.145	12.205	0.060	Schools	82.670	84.969	84.969	0.000	People & Resources	4.595	4.624	4.496	(0.128)	Governance	8.689	8.712	8.784	0.072	Organisational Change	9.569	8.854	8.661	(0.193)	Chief Executive	3.296	3.087	2.965	(0.122)	Central & Corporate Finance	23.915	23.109	22.000	(1.109)						<b>Total</b>	<b>251.457</b>	<b>251.457</b>	<b>249.968</b>	<b>(1.489)</b>
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1.02	The reasons for the variances occurring are summarised within appendix 2 with movements between periods summarised in appendix 1.																																																																											
1.03	<p><b>Significant budget movements between month 12 to outturn</b></p> <p>The significant budget movements between month 12 and outturn is due to the allocation of the property and maintenance budget from Organisational Change to other portfolios to reflect actual expenditure.</p>																																																																											
1.04	<p><b>Brief Overview of the Year – Council Fund</b></p> <p>Early challenges were experienced within Streetscene with a projected overspend of £0.808m due to delays in the achievement of in year efficiencies and emerging pressure due to recycling income being at a lower level due to economic factors.</p>																																																																											
1.05	However, this was more than offset by a number of significant variances including an underspend of £0.573m within Social Services due to a new pressure for the Independent Living Fund being funded by a Welsh Government grant, and some further projected underspends within																																																																											

	Community and Enterprise in relation to Council Tax Reduction Scheme (CTRS) and Central and Corporate as a result of lower levels of centrally held inflation required. The net effect of this was an early projected underspend of £0.212m.
1.06	At Month 4 the forecast was revised to project an overspend of £0.425m mainly due to additional care packages within Social Services and an increase in the pressures being experienced within Streetscene.
1.07	The monthly position continued to project an overspend until Month 7 when the projection once again moved the Council fund into an underspend position of £0.387m which was mainly due to savings from interest costs due to a delay in capital expenditure together with additional savings from a delay in filling vacancies and higher than anticipated levels of income in certain areas.
1.08	Between Month 8 and Month 9, this projected underspend increased to £1.242m as the Council benefited from lower than anticipated requests for non-standard inflation and a reduction in its audit and banking fees. Lower than anticipated expenditure on the Council tax reduction scheme and an additional surplus on Council tax collection also contributed to this improving position.
1.09	The Month 11 projection increased the underspend to £1.574m mainly as a result of additional income from Welsh Government and from Health although this reduced to £1.372m in Month 12 as a result of additional costs relating to Out of County placements which were not previously incorporated into projections.
1.10	This final outturn report shows an increased underspend to £1.489 which is due to a reduction in the final Out of County placement costs and an increased return on interest and investment income. This reduction has been offset by reduced support service recharge income.
1.11	Throughout 2015/16, the Council had an obligation to maintain security and operation of the orphaned chemical site in Sandycroft which incurred running costs of £0.336m.
1.12	<b>Programme of Efficiencies</b>  The 2015/16 budget contained £12.874m of specific efficiencies and Appendix 3 provides detail on the final position where there was a variation to the level of efficiency achieved compared to the budget.
1.13	This shows that that £10.677m (83%) was achieved resulting in a net underachievement of £2.197m. The underachieved efficiencies are included within the final outturn figure.
1.14	<b>Inflation</b>  Included within the 2015/16 budget were provisions for pay (£1.304m),

	targeted price inflation (£0.421m), non-standard inflation (£0.102m) and income (£0.254m). There was also an amount of £0.240m remaining from the 2014/15 financial year which was also held centrally.																				
1.15	The final position is an underspend of £0.125m comprising of £0.064m for food inflation and a surplus of £0.061m remaining from inflation set aside for pay. The balance of the 2014/15 inflation and £0.110m from the in-year inflation have been included as an efficiency within the 2016/17 budget.																				
	<b>Reserves and Balances</b>																				
1.16	<b>Unearmarked Reserves</b>  The 2014/15 outturn reported to Cabinet on 14 <sup>th</sup> July 2015 showed unearmarked reserves at 31 March 2015 (above the base level of £5.769m) of £4.746m.																				
1.17	Taking into account previous allocations and the final underspend the balance on the contingency reserve at 31 <sup>st</sup> March 2016 is £4.375m.																				
1.18	<b>Earmarked Reserves</b>  The Council adopted a reserves protocol in September 2015 which set out the principles around how the council determines, manages and reviews its level of reserves. Within the protocol was reference to regular reporting of the latest position to Cabinet and Corporate Resources Overview and Scrutiny Committee.																				
1.19	The table below gives a summary of earmarked reserves as at 31 <sup>st</sup> March 2016. A full analysis of the movement in reserves from 1 <sup>st</sup> April 2015 to 31 <sup>st</sup> March 2016 is contained within the Statement of Accounts.																				
1.20	<b>Council Fund Earmarked Reserves 2015/16</b>																				
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	Winter Maintenance	250,000
	Waste Disposal Sites	370,859
	Car Park Reserve	86,284
	Unitary Development Plan	646,982
	Building Control Trading	90,611
	Flintshire Enterprise Reserve	72,892
	Design Fees	200,000
	Other Specific Reserves of less than £0.025m	39,214
	Cash Receipting Review	241,295
	EARMARKED-S106 Grants & Contributions	2,737,077
	Service Balances	4,985,529
	<b>Total</b>	<b>27,745,323</b>
	<b>Housing Revenue Account</b>	
1.21	On 17 February 2015 the Council approved a Housing Revenue Account (HRA) budget for 2015/16 of £30.776m. The budget provided for a closing balance of £1.396m.	
1.22	The 2014/15 Outturn Report to Cabinet on 14 July 2015 showed a closing balance at the end of 2014/15 of £1.510m.	
1.23	The outturn report for the HRA states final expenditure to be £0.059m higher than budget and a closing balance as at 31 March 2016 of £1.178m, which at 4.3% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.	
1.24	<p><b>Brief Overview of the Year - HRA</b></p> <p>In 2015/16 the HRA generated £31m income. £8m was spent on repairs and maintenance. £5m contributed towards capital financing costs relating existing borrowing and self-financing. The HRA budget also provided a total revenue contribution of £11.288m towards the funding of capital expenditure (CERA) an increase of £4.404m on the previous year. The closing balance on reserves was £1.178m at 31<sup>st</sup> March 2016. A balance of £0.241m was also rolled forward to implement Job Scheduling.</p>	
1.25	<p>The continued improvement in the financial management of the HRA during 2015/16 has helped to enable delivery of the following service developments and achievements.</p> <ul style="list-style-type: none"> <li>• Delivered £21m first year programme of the 6 year Welsh Housing Quality Standard (WHQS) delivery plan.</li> <li>• Introduced Total Mobile for Responsive Repairs teams.</li> <li>• Amended Call Out hours in line with revised single status agreement.</li> </ul>	

	<ul style="list-style-type: none"> <li>• Introduced flexible working for trades staff.</li> <li>• Minimised borrowing in year by £0.711m through delivering higher than anticipated revenue savings.</li> <li>• Delivered c£1m of efficiency savings including voids security costs, material efficiencies and staffing efficiencies.</li> <li>• Outperformed all Responsive Repair targets throughout the year.</li> <li>• Achieved an average of 99.8% for Gas Safety certificates.</li> <li>• Developed a WHQS Compliance Policy.</li> <li>• Introduced a revised fleet of vehicles for all trades staff.</li> <li>• Developed a revised Housing Management structure and service policies and procedures.</li> <li>• Relocated all Council Housing service teams into one area at County Offices Flint.</li> <li>• Purchased and installed solar panels on approximately 600 properties which has generated savings for tenants and income for the HRA which is being ring-fenced for further energy efficiency measures.</li> <li>• Completed 497 disabled adaptations which enable tenants to return home from hospital or maintain independence. The team works closely with the WHQS team so that WHQS work is completed at the same time and disruption is kept to a minimum.</li> </ul>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
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2.01	The Budget Monitoring Report reflects the planned use of the financial resources of the Council for the current financial year and details the variations occurring to date.
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<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
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3.01	None Required.
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<b>4.00</b>	<b>RISK MANAGEMENT</b>
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4.01	As we are nearing the closure of the 2015/16 accounts it is not anticipated that there are any significant risks to the Final Outturn which will be reported to Cabinet on 19 July 2016. The summary of in-year risks are not included as in previous month's reports as they have now been projected through to year end.
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<b>5.00</b>	<b>APPENDICES</b>
5.01	Council Fund – Movement in Variances from Month 12 – Appendix 1 Council Fund – Budget Variances – Appendix 2 Council Fund – Programme of Efficiencies – Appendix 3 Council Fund – Movement on unearmarked reserves – Appendix 4 Housing Revenue Account Variances – Appendix 5

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None required  <b>Contact Officer:</b> Sara Dulson Finance Manager <b>Telephone:</b> 01352 702287 <b>E-mail:</b> <a href="mailto:sara.dulson@flintshire.gov.uk">sara.dulson@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Budget:</b> a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.
7.02	<b>Council Fund:</b> the fund to which all the Council's revenue expenditure is charged.
7.03	<b>Financial Year:</b> the period of twelve months commencing on 1 April.
7.04	<b>Housing Revenue Account:</b> the Housing Revenue Account (HRA) is a local authority account showing current income and expenditure on housing services related to its own housing stock. The account is separate from the Council Fund and trading accounts and is funded primarily from rents and government subsidy.
7.05	<b>Projected Outturn:</b> projection of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.
7.06	<b>Reserves:</b> these are balances in hand that have accumulated over previous years and are held for defined (earmarked reserves) and general (general reserves) purposes. Councils are required to regularly review the level and purpose of their reserves and to take account of the advice of the Chief Finance Officer.
7.07	<b>Revenue:</b> a term used to describe the day-to-day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.

7.08	<b>Underspend:</b> when referring to expenditure the actual expenditure incurred is less than budget. Shown as a –ve. When referring to income the actual income achieved exceeds the budget. Shown as a –ve.
7.09	<b>Variance:</b> difference between latest budget and actual income or expenditure. Can be to date if reflecting the current or most up to date position or projected, for example projected to the end of the month or financial year.
7.10	<b>Virement:</b> the transfer of budget provision from one budget head to another. Virement decisions apply to both revenue and capital expenditure heads, and between expenditure and income, and may include transfers from contingency provisions. Virements may not however be approved between capital and revenue budget heads.